

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 AGR-10 FEA-01 INT-05 H-02

PRS-01 PA-02 USIA-15 /099 W  
----- 077198

R 181656Z APR 75  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC 9512  
INFO AMEMBASSY BERN  
AMEMBASSY BRUSSELS  
AMEMBASSY LONDON  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY TOKYO  
USMISSION EC BRUSSELS  
USMISSION OECD PARIS  
AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 02 BONN 06345

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE  
E.O. 11652: N/A  
TAGS: EFIN, GW  
SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING APRIL 17)

1. DEUTSCHE BANK AND DRESDNER BANK ANNOUNCE SIGNIFICANT PROFITS: IN 1974 THE DEUTSCHE BANK HAD A RECORD PROFIT OF DM 234 MILLION (1973: DM 155 MILLION). THE BANK RAISED THE DIVIDEND FROM DM 9 PER SHARE TO DM 10 PER SHARE. BESIDES SUBSTANTIAL PROFITS IN CREDIT BUSINESS (WHERE INTEREST SPREAD INCREASED FROM 2.32 PERCENT IN 1973 TO 3.32 PERCENT IN 1974) THE BANK ALSO GAINED FROM ITS OWN DEALINGS IN SECURITIES, FOREIGN EXCHANGE, AND RARE METALS. THE INTERNATIONAL BUSINESS OF THE BANK WHICH REACHED 30 PERCENT OF THE BANK'S TOTAL  
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BUSINESS REPORTEDLY MADE AN IMPORTANT CONTRIBUTION TO

THE HIGH PROFITS. THE DRESDNER BANK ALSO REPORTED GOOD PROFITS FOR 1974 (DM 143 MILLION) COMPARED WITH DM 102 MILLION IN 1973). THE DRESDNER BANK DIVIDEND REMAINS UNCHANGED AT DM 9 PER SHARE. THE BANK STATED THAT ITS INTERNATIONAL BUSINESS DEVELOPED BETTER THAN AVERAGE AND PROVIDED ABOUT 30 PERCENT OF TOTAL PROFITS.

2. SMALL COLOGNE BANK CLOSES: THE OWNER OF THE COLOGNE BANKING HOUSE FERDINAND SCHROEDER & CO. HAS RETURNED HIS BANKING LICENSE TO THE GERMAN BANKING SUPERVISORY AUTHORITY. THE BANK HAD A CAPITAL STOCK OF ONLY DM 8 MILLION AND HAD SUFFERED DIFFICULTIES AFTER THE JUNE 1974 COLLAPSE OF THE HERSTATT BANK. DEPOSITS HAD REPORTEDLY DECLINED FROM DM 115 MILLION IN JULY 1974 TO A CURRENT DM 80 MILLION AND, DESPITE SUPPORT FROM THE LIQUIDITY CONSORTIUM OF GERMAN BANKS AND EFFORTS TO MERGE WITH STRONGER INSTITUTIONS, THE OWNER DECIDED TO COMPLETE THE BANK'S REMAINING UNSETTLED TRANSACTION AND CLOSE. WHILE TOTAL LOSSES HAVE NOT BEEN MADE PUBLIC, PRIVATE NON-BANK DEPOSITORS, ACCORDING TO PRESS REPORTS, WILL BE REPAID IN FULL.

3. MONEY MARKET: ON THE GERMAN MONEY MARKET CALL MONEY MARKET SHOWED A TIGHTENING TREND DURING THE LATTER PART OF THE REPORTING WEEK. FRANKFURT INTER-BANK MONEY RATES DEVELOPED AS FOLLOWS:

|          | CALL MONEY | ONE-MONTH MONEY | THREE-MONTH MONEY |
|----------|------------|-----------------|-------------------|
| APRIL 11 | 2.8-3.2    | 4.0-4.3         | 4.5-4.7           |
| 14       | 2.7-.3.0   | 4.0-4.3         | 4.5- -4.8         |
| 15       | 3.5-3.9    | 4.0-4.2         | 4.5-4.7           |
| 16       | 3.7-4.1    | 4.0-4.3         | 4.5-4.8           |
| 17       | 4.5-4.7    | 4.1-4.4         | 4.6-4.8           |

4. FOREIGN EXCHANGE MARKET: SPOT DOLLARS STRENGTHENED BY OVER TWO PFENNIGS ABOVE THE FINAL FIXING OF THE PREVIOUS WEEK BUT FELL BACK DURING THE LAST THREE DAYS OF THIS WEEK. THE APRIL 14 SPOT DOLLAR RATE WAS THE HIGHEST SINCE JANUARY 15, 1975. DURING THE REPORTING WEEK SPOT AND FORWARD DOLLAR RATES DEVELOPED AS FOLLOWS:  
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|        | FORWARD DOLLARS<br>(DISCOUNTS IN PCT.P.A.) |           |             |
|--------|--------------------------------------------|-----------|-------------|
|        | SPOT DOLLARS                               | ONE-MONTH | THREE-MONTH |
| APR 11 | DM 2.3810                                  | -2.5      | -2.9        |
| 14     | 2.3965                                     | -2.8      | -2.7        |
| 15     | 2.3935                                     | -2.0      | -2.6        |

|    |        |      |      |
|----|--------|------|------|
| 16 | 2.3878 | -1.8 | -2.5 |
| 17 | 2.3858 | -1.5 | -2.3 |

WITHIN THE JOINT FLOAT THE DEUTSCHEMARK REMAINED WEAK.  
WITH THE EXCEPTION OF THE DANISH CROWN ALL FLOAT CURREN-  
CIES WERE NEAR THEIR UPPER DEUTSCHEMARK INTER-

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FRB-01 INR-07 NSAE-00 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 AGR-10 NEA-09 FEA-01 INT-05 H-02 PRS-01 PA-02

USIA-15 /133 W  
----- 077219

R 181656Z APR 75  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC 9513  
INFO AMEMBASSY BERN  
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VENTION POINTS. THE GERMAN FINANCIAL PRESS REPORTED  
THAT THE BUNDESBANK INTERVENED WITH SALES OF  
SWEDISH CROWNS AND DUTCH GULDERS.

5. MONETARY RESERVES: IN THE FIRST WEEK OF APRIL (APRIL 1 THROUGH 7) BUNDESBANK MONETARY RESERVES DECLINED BY DM 0.4 BILLION TO DM 85.9 BILLION. THE BUNDESBANK ATTRIBUTED THE DECLINE MAINLY TO INTERVENTIONS ON FOREIGN EXCHANGE MARKETS. HOLDINGS OF LIQUID FOREIGN EXCHANGE FELL BY DM 961 MILLION WHILE OTHER (NON-SPECIFIED) ASSETS HELD ABROAD INCREASED UNCLASSIFIED

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BY DM 563 MILLION.

6. BANK LIQUIDITY: IN THE FIRST WEEK OF APRIL BANK LIQUIDITY INCREASED BY DM 1.5 BILLION. THE LIQUIDITY INCREASE WAS LARGELY ATTRIBUTABLE TO A DM 3.2 BILLION DECLINE IN OFFICIAL NET ASSETS HELD AT THE BUNDESBANK AND A SUBSTANTIAL DECLINE IN CURRENCY IN CIRCULATION AFTER THE EASTER HOLIDAYS (DM 2.3 BILLION). LIQUIDITY WAS REDUCED BY A RISE IN HOLDINGS OF RESERVES AT THE BUNDESBANK (DM 1.6 BILLION), THE ABOVE-MENTIONED DECLINE IN BUNDESBANK MONETARY RESERVES AND BY OTHER NON-SPECIFIED FACTORS (DM 2.0 BILLION).

7. BOND MARKET: DURING THE REPORTING WEEK THE FAZ AVERAGE YIELDS TO MATURITY OF OUTSTANDING DOMESTIC BONDS DEVELOPED AS FOLLOWS:

8 PERCENT 7 PERCENT 6 PERCENT

|          |      |      |      |
|----------|------|------|------|
| APRIL 11 | 9.04 | 9.11 | 8.65 |
| 14       | 9.02 | 9.10 | 8.63 |
| 15       | 9.02 | 9.10 | 8.62 |
| 16       | 8.97 | 9.07 | 8.58 |
| 17       | 8.90 | 9.01 | 8.54 |

ON APRIL 16 THE BUNDESBANK SOLD BY WAY OF TENDER DM 530 MILLION IN 7 PERCENT TREASURY NOTES AND DM 534 MILLION IN 7 1/2 PERCENT NOTES. THE 7 PERCENT NOTES HAVE A MATURITY OF 3 YEARS AND WERE SOLD AT 98.80 (YIELD TO MATURITY 7.46 PERCENT); THE 7 1/2 NOTES HAVE A MATURITY OF 4 YEARS AND WERE SOLD AT 98.70 (YIELD TO MATURITY 7.89 PERCENT). ON APRIL 15 DUTCH UNILEVER OFFERED A DM 100 MILLION LOAN (COUPON 8.5 PERCENT, MATURITY 12 YEARS). THE GOVERNMENT OF AUSTRALIA IS CURRENTLY OFFERING A LOAN IN TWO TRANCHES OF DM 50 MILLION EACH CARRYING A COUPON OF 8.5 PERCENT, AN ISSUE PRICE OF 99.5 PERCENT AND A MATURITY OF 7 YEARS. OTHER FOREIGN DM LOANS EXPECTED ON THE GERMAN MARKET ARE THOSE OF THE COMPANIE FRANCAISE PETROL (DM 100 MILLION, COUPON 8.5 PERCENT, MATURITY

10 YEARS), THE CITY OF STOCKHOLM (DM 100 MILLION,  
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COUPON 8 3/4 PERCENT, AVERAGE MATURITY 5.6 YEARS) AND  
THE GOVERNMENT OF AUSTRIA (DM 100 MILLION, COUPON  
8.5 PERCENT, MAXIMUM MATURITY 12 YEARS).  
HILLENBRAND

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FINANCIAL RESERVES, FINANCIAL DATA  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 18 APR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750137-0009  
**From:** BONN  
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**Office:** ACTION EUR  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ShawDG  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 08 JUL 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <08 JUL 2003 by maginmm>; APPROVED <30 JAN 2004 by ShawDG>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FINANCIAL DEVELOPMENTS (WEEK ENDING APRIL 17)  
**TAGS:** EFIN, GE  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006